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Supreme Court of the United States

OCTOBER TERM, 1944

No. 912

BULLDOG ELECTRIC PRODUCTS CO.,
Petitioner,

vs.

WESTINGHOUSE ELECTRIC AND MANUFACTURING COMPANY,
Respondent.

BRIEF FOR RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

DRURY W. COOPER,
VICTOR S. BEAM,
THOMAS J. BYRNE,
Counsel for Respondent.

INDEX

AUTHORITIES

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Statement

A brief statement of the facts appears to be necessary.

The complaint in the action is for alleged infringement of several letters patent of the United States relating to bus duct equipment and accessories. Bus duct is a metal conduit in which electrical conductors—wires or copper strips—extending through buildings are housed. Bus duct is usually provided with openings so that circuit breakers or other switches may be inserted therein to take off electric current where desired.

The complaint states an action in equity. No notice of the trial by jury of any issue thereunder was filed (Rule 38 of the Rules of Civil Procedure).

Respondent filed answer to the complaint and interposed an equitable counterclaim (R. 9-13) under the Declaratory Judgment Act (Section 274d of the Judicial Code; 28

U. S. C. A. § 400). Petitioner admits that the counterclaim is an equitable one (petition p. 3). It discloses that petitioner had notified respondent in 1942 of its United States patent No. 2,285,770 and declared that certain claims thereof were infringed by the "Multi-Breaker" circuit breaker constructions of respondent (R. 25), and that no action had been brought by petitioner against respondent for infringement of patent No. 2,285,770. A justiciable issue was created by petitioner when it asserted infringement upon the patent. Petitioner could have sued respondent for infringement thereof in this action brought in 1942, but it did not do so. Consequently, respondent instituted its counterclaim, praying for a decree that petitioner's patent No. 2,285,770 is invalid and void, that respondent has not infringed thereon and for an injunction restraining petitioner, *inter alia*, from instituting or continuing any action for alleged infringement of said patent against respondent, any jobber, dealer or user of any apparatus made and sold by respondent or from advertising, notifying the trade or public that respondent has infringed upon said patent by the manufacture, use or sale of electric circuit breakers.

Petitioner interposed a reply (R. 18-24) to the counterclaim in which it traversed the allegations thereof but admitted that it "believes that an actual and substantial controversy exists between plaintiff and defendant" (R. 19).

Petitioner averred that respondent is not entitled to the relief requested under the counterclaim because in the conduct of its business in the manufacture and sale of circuit breakers it has "illegally and unlawfully" restrained the design of circuit breakers, demanded and required that purchasers of "Multi-Breakers" purchase boxes and other unpatented parts as a condition to their purchase of "Multi-Breakers", controlled the design and sale of "Multi-Breakers", &c., and prayed that if respondent's counterclaim be

not dismissed judgment be entered declaring petitioner's patent No. 2,285,770 to be infringed as to certain claims thereof by the Multi-Breaker circuit breakers of respondent (R. 24).

Petitioner also averred (R. 22-23) that the District Court does not have jurisdiction or right "to enter a decree adjudicating a patent regularly issued by the Patent Office of the United States void or invalid" and that therefore respondent is not entitled to the relief for which it prays.

Respondent does not seek adjudication of any right as to any of its property under the counterclaim. It merely seeks adjudication of the issues of validity and infringement of its patent raised by petitioner and as to which petitioner failed to act.

Acts and conduct of respondent with respect to its patents or the manufacture and sale of its circuit breakers are not involved in the counterclaim.

Petitioner moved in the District Court to dismiss the counterclaim. The motion was denied (petitioner's brief p. 15).

After plaintiff had replied to the counterclaim respondent made a motion (R. 26-27) in the District Court to strike from the reply the portions relating to the unclean hands imputed to respondent. The motion was granted (R. 27-30).

An appeal from that order (R. 29-30) was taken to the United States Circuit Court of Appeals for the Second Circuit and it was dismissed on motion of respondent (R. 31) on the ground that no appeal lay from the order of the District Court.

Petitioner moved in the District Court for permission to examine respondent as to its purported unclean hands. The motion was denied (Appendix to petitioner's brief pp. 14-16).

The instant petition is moot, in view of the admissions of petitioner. It states (brief p. 6) that

> "We do not seek, at this time, permission to examine and determine the conduct of Westinghouse."

Petitioner further states (brief p. 6):

> "* * * Bulldog seeks merely the right to make the New York Courts aware of the Westinghouse monopoly."

Summary of Argument

1. The District Court did not refuse or grant a stay of an action at law pending determination of an equitable defense.

2. The order of the District Court is not appealable.

3. The defense of unclean hands of respondent is not available to petitioner in this action.

4. Grant of petition would not serve any purpose.

5. The counterclaim of respondent is well founded in law and in fact.

6. Patents may be adjudged to be invalid.

Argument

I

The District Court did not grant or refuse to grant a stay of an action at law pending determination of an equitable defense.

The complaint in this action sets forth an equitable action. Petitioner did not demand a trial by a jury of any issue thereunder in compliance with Rule 38 of the Rules of Civil Procedure.

The counterclaim of respondent is an equitable action. This is admitted by petitioner (petition p. 3).

Petitioner argues that the question presented (petition p. 6) is that the action of the District Court in granting

the motion of respondent to strike from the reply of petitioner the alleged unclean hands acts of respondent in effect refused to stay the patent issues pending determination of the alleged issue of unclean hands and therefore denied an injunction. But there was neither stay nor application for a stay.

The question propounded by petitioner is not on sound ground. Both the original complaint and the counterclaim are equitable actions. This fact alone warrants denial of the petition for writ of certiorari for had the defenses been proper they could have been tried and determined without any stay and no stay was sought.

The position of petitioner is predicated upon the decisions of this Court in *Enelow* v. *New York Life Insurance Co.*, 293 U. S. 379, and *Shanferoke Coal & Supply Corp.* v. *Westchester Service Corp.*, 293 U. S. 449, but neither is in point.

Enelow v. *New York Life Insurance Co.:* This action was one at law for recovery under a life insurance policy. Defendant advanced an affirmative defense that the policy was obtained "by means of false and fraudulent statements in the decedent's application which was made a part of the policy". The insurance company presented a petition asking that the "equitable issue" be tried in advance of the trial by jury of the legal issues. It relied upon Section 274b of the Judicial Code (28 U. S. C. A. § 398), which provides for the interposition of equitable defense in an action at law. This Court pointed out that when an order is made under Section 274b of the Judicial Code, requiring, or refusing to require, that an equitable defense shall first be tried,

> "* * * the court, exercising what is essentially an equitable jurisdiction, in effect grants or refuses an injunction restraining proceedings at law precisely as if the court had acted upon a bill of complaint in a separate suit for the same purpose."

This Court pointed out that the defense of fraud is available in an action at law; that the petition for a hearing and determination in equity in advance of the trial of the action at law should have been denied, and it reversed and remanded the action to the District Court "with directions to vacate its order for a hearing in equity and to proceed with the trial of the action at law".

Shanferoke Coal & Supply Corp. v. *Westchester Service Corp.:* The defendant in this action at law agreed to purchase from plaintiff a large quantity of coal to be taken in instalments throughout a period of years and, after accepting part of the coal, repudiated the contract. The defendant interposed a special defense that prior to the commencement of the action it had notified plaintiff of its readiness and willingness to submit the dispute to arbitration in accordance with provisions of the contract. Defendant moved for a stay in the action until an arbitration should be had. The District Court denied the motion. The United States Circuit Court of Appeals for the Second Circuit reversed the ruling of the District Court and directed it to grant the stay. This Court pointed out that the order denying the stay was not a final judgment and appealable under Section 128 of the Judicial Code (28 U. S. C. A. 225), but, being an interlocutory order, was appealable to the Court of Appeals under Section 129 of the Judicial Code (28 U. S. C. A. 227) "if the denial of the stay should be deemed the denial of an injunction."

This Court also stated

> "that the special defense setting up the arbitration agreement is an equitable defense or cross-bill within the meaning of § 274b [of the Judicial Code]; and that the motion for a stay is an application for an interlocutory injunction based on the special defense."

The ruling of the Court of Appeals was affirmed.

In the case at bar both the original complaint and counterclaim set forth equitable actions. The decisions of this Court relied upon by petitioner do not support its expressed position for the cogent reason that its premise is improperly founded. The decisions of this Court relied upon do not aid petitioner. They are neither controlling nor helpful.

II

The order of the District Court (R. 29-30) is not appealable.

Petitioner states that the "issue here presented" is "narrowed to the right to appeal upon the order to strike" (petition p. 5).

This order struck from the reply to the counterclaim certain portions thereof—the averred unclean hands of respondent. All issues under the counterclaim are raised by the portions of the reply which were not stricken. No injunction was granted or denied with respect to the counterclaim. No stay as to any part thereof was granted or denied.

Final decisions may be reviewed under Section 128 of the Judicial Code (28 U. S. C. A. § 225).

Where "upon a hearing in a district court" an injunction "is granted, continued, modified, refused, or dissolved by an interlocutory order or decree" or "an application to dissolve or modify an injunction is refused" review may be had (Section 129 of the Judicial Code; 28 U. S. C. A. § 227).

Where in an action at law an equitable defense is interposed pursuant to Section 274b of the Judicial Code (28 U. S. C. A. § 398), and a stay of a trial at law is granted pending hearing and determination as to equitable defenses, an appeal may be allowed under the provisions of Section 129 of the Judicial Code (28 U. S. C. A. § 227).

Enelow v. *New York Life Insurance Co.*, 293 U. S. 379.

The order of the District Court is not a final determination of any issue in the case; it does not grant or refuse or affect an injunction and it does not stay a law action pending determination of an equitable defense. Therefore, there was no statutory basis for petitioner's appeal to the Court of Appeals, or any basis for the instant petition.

Ex parte Tiffany, 252 U. S. 32, 36.
Radio Corporation of America v. *J. H. Bunnell Co., Inc.*, 298 Fed. Rep. 62, 63, C. C. A. 2.

III

The defense of unclean hands of respondent is not available to petitioner in this action.

Respondent is not presenting for determination any right with which it is vested. It is not suing in this case upon its patent, but is defending against one owned by petitioner. It is in full effect the defendant under the counterclaim.

Unclean hands of respondent in connection with its business in the manufacture and sale of circuit breakers has no bearing or effect in the action at bar.

In *National Bank & Loan Co.* v. *Petrie*, 189 U. S. 423, this Court said (p. 425) that a

> "person does not become an outlaw and lose all right by doing an illegal act."

The rule is that unclean hands of a litigant may be availed of against him where acts constituting unclean hands *relate to the right sought to be enforced.*

In *Keystone Driller Co.* v. *General Excavator Co.*, 290 U. S. 240, this Court stated the rule. It said (p. 245):

> "But courts of equity do not make the quality of suitors the test. They apply the maxim requiring

> clean hands only where some unconscionable act of one coming for relief *has immediate and necessary relation to the equity that he seeks in respect of the matter in litigation.* They do not close their doors because of plaintiff's misconduct, whatever its character, that has no relation to anything involved in the suit, but only for such violations of conscience as in some measure affect the equitable relations between the parties in respect of something brought before the court for adjudication, Story, id., § 100." (Emphasis ours.)

There is no causal or other relation between the questions of validity and infringement of the petitioner's patent raised by the counterclaim and the conduct of respondent.

IV

Grant of petition would not serve any purpose.

In petitioner's brief which accompanies its petition (p. 6) it is stated:

> "*We do not seek, at this time, permission to examine and determine the conduct of Westinghouse.*
>
> * * * * * *
>
> "By its Reply in New York, *BullDog seeks merely the right to make the New York Courts aware of the Westinghouse monopoly* and illegal dominance in the circuit breaker business in order that the New York Courts understand and appreciate the effect on the public of the attack by Westinghouse against the BullDog patent and BullDog's use of it." (Emphasis ours.)

Petitioner states (appendix to its brief, p. 12) that it heretofore filed with this Court a motion for leave to file petition for writ of mandamus to Honorable Clarence G. Galston of the District Court of the United States for the Eastern District of New York with respect to its motion to dismiss the counterclaim of respondent, and that such leave was denied.

Petitioner also moved in the District Court for leave to take depositions as to the alleged unclean hands of respondent. The opinion of Honorable Grover M. Moscowitz denying said motion is included in the appendix to petitioner's brief (pp. 14-16). Petitioner now states that "permission to examine and determine the conduct of Westinghouse" is not sought.

In view of this position of petitioner there is nothing to be determined by the petition.

V

The counterclaim of respondent is well founded in law and in fact.

Petitioner notified respondent of its patent No. 2,285,770 and of claims thereof which "we believe are infringed by your Multi-Breaker constructions" (R. 25). "Multi-Breaker" is the trade name or trade mark of respondent for particular circuit breakers.

Petitioner did not institute an action against respondent for the asserted infringement upon said patent. It could have done so in the instant action.

Consequently, respondent instituted its counterclaim wherein it seeks declaration or decree that petitioner's patent is invalid or that it is not infringed by respondent. Petitioner admits that an actual controversy exists between the parties. In its reply to the counterclaim of respondent it stated (R. 19):

> "The plaintiff believes that an actual and substantial controversy exists between plaintiff and defendant."

In *Aetna Life Insurance Co.* v. *Haworth et al.*, 300 U. S. 227, this Court had before it an action brought under the Declaratory Judgment Act. In its opinion it stated (p. 240):

> "A 'controversy' in this sense must be one that is appropriate for judicial determination. *Osborn* v.

United States Bank, 9 Wheat. 738, 819. *A justiciable controversy* is thus distinguished from a difference or dispute of a hypothetical or abstract character; from one that is academic or moot. *United States* v. *Alaska S.S. Co.*, 253 U. S. 113, 116. The controversy must be definite and concrete, touching the legal relations of parties having adverse legal interests. *South Spring Gold Co.* v. *Amador Gold Co.*, 145 U. S. 300, 301; *Fairchild* v. *Hughes*, 258 U. S. 126, 129; *Massachusetts* v. *Mellon*, 262 U. S. 447, 487, 488. It must be a real and substantial controversy admitting of specific relief through a decree of a conclusive character, as distinguished from an opinion advising that the law would be upon a hypothetical state of facts." (Emphasis ours.)

See also:

Maryland Casualty Co. v. *Pacific Coal & Oil Co.*, 312 U. S. 270.

In *Dewey & Almy Chemical Company* v. *American Anode, Inc.*, 137 F. (2d) 68, the Court of Appeals for the Third Circuit had before it an action founded upon the Declaratory Judgment Act. The District Court dismissed the action but the Court of Appeals reversed.

The opinion discloses that no notice of infringement of the patent involved was given or threat to sue made by the patent owner, American Anode, Inc., but the Court pointed out that this fact is "not conclusive of the problem".

American Anode (defendant) did not learn until the complaint was filed that the plaintiff (Dewey & Almy Chemical Company) was practicing the "coagulant-dip process". The Court said that this fact "does not negative the existence of a case of actual controversy between them".

American Anode brought an action at Chicago in which it asserted infringement of the patents involved. The Court pointed out that thereby American Anode, Inc. "asserted such a scope for its patent claims as to embrace

the similar methods practiced commercially by Dewey & Almy". In its opinion the Court said (p. 71):

> "Anode's suit against the Lee-Tex Company, with the broad scope asserted therein for its patent claims, constitutes equally effective notice to whom it may concern that they practice the process at their peril. In thus using the patent as a legal as well as an economic weapon Anode has put Dewey & Almy in the position where it must either (1) abandon the use of the process, (2) accept a license on terms which it deems disadvantageous, or (3) persist in piling up potential damages against the day when it may fit Anode's purposes to bring an infringement suit against it."

This Court denied a petition for writ of certiorari (320 U. S. 761).

There is no doubt that in fact and in law an actual controversy exists between petitioner and respondent with respect to the patent of petitioner, No. 2,285,770, and that the counterclaim of respondent is well founded.

VI

Patents may be adjudged to be invalid.

Petitioner averred that the District Court is without power to adjudge a regularly issued patent to be void or invalid (R. 22). There is no basis for the petitioner in this assertion, since the court of first instance has not yet passed upon the merits.

It is stated by petitioner (brief p. 5) that "public interest" will be prejudiced if a patent of "a smaller manufacturer" is "destroyed"—decreed to be invalid.

Further (brief p. 7) that "public interest" may be "best served by enforcing a patent or not enforcing it, destroying it or not destroying it, issuing it or not issuing it".

The views of petitioner are anomalous. An invalid patent should be held to be invalid. Public interest is not served by any other course.

The Federal Courts in determining patent infringement cases have been holding patents to be invalid for a hundred years.

In *The Maytag Company* v. *Hurley Machine Co., et al.*, 307 U. S. 243, for example, as well as in many cases both recent and ancient, this Court held the patent involved to be invalid.

Conclusion

It is submitted that the petition for writ of certiorari should be denied.

DRURY W. COOPER,
VICTOR S. BEAM,
THOMAS J. BYRNE,
Counsel for Respondent.